



**OFFICE OF FINANCIAL MANAGEMENT**

**S T A T E   O F   W A S H I N G T O N**

# **REPORT OF FISCAL YEAR 2004 SAVINGS INCENTIVE ACCOUNT EXPENDITURES**

**RCW 43.79.460**

**BUDGET DIVISION**

**DECEMBER 2004**



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# Overview: Savings Incentive Program

## Background

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**T**HE SAVINGS INCENTIVE PROGRAM was created in 1997 by legislative passage of Governor Locke's initiative to promote efficiency in agency spending, and to help support public schools. Through guidelines set out in statute and in appropriations bill language, agencies are credited with one-half of all state General Fund-State (GF-S) savings not related to entitlement or other targeted spending authority. Remaining savings are directed to the Education Savings Account, 10 percent of which is transferred to Higher Education for distinguished professorships, the graduate fellowship trust fund, and the college faculty award trust fund. The balance may be appropriated for common school construction and education technology.

The legislation establishing the Savings Incentive Program requires that the Office of Financial Management (OFM) report each December 1 to the legislative fiscal committees on implementation of RCW 43.79.460.

## Expenditures from the Savings Incentive Account in Fiscal Year 2004

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Based on the amount of eligible GF-S reversions (unspent appropriations) in Fiscal Year 1997 through Fiscal Year 2003, agencies have received a total of \$30.7 million in credits in the Savings Incentive Account. An additional \$3.7 million from Fiscal Year 2004 reversions will bring this total to \$34.4 million. The remaining GF-S reversions —\$241.9 million over eight years—were transferred into the Education Savings Account.

Because the Savings Incentive Account is not appropriated, credits remain with the agency until they are spent. As of the end of Fiscal Year 2004, agencies had used \$14.6 million of the \$30.7 million in available funding.

The authorizing legislation limits Savings Incentive Account expenditures to one-time activities that improve the quality, efficiency, and effectiveness of customer services in agencies. Since the amount of this resource is unpredictable, it may not be used to create new or expanded services, or to incur ongoing obligations.

The detailed reports of expenditures for the 28 agencies that spent from the Savings Incentive Account in Fiscal Year 2004 are contained in Exhibit 4. Some examples of expenditures are as follows:

## **Employee Training**

- Supreme Court staff received practical and theoretical training on appellate decision-making, oral arguments, opinion writing and ethics.
- Western Washington University staff acquired training to enhance their skills in writing grant applications to federal funding agencies.

## **Technology and Work Process Improvements**

- Various agencies used the account for technology improvements such as hardware purchases and website upgrades. The Department of Ecology developed a website containing census-based information to allow staff to provide face-to-face, neighborhood-based communication to non-English speaking residents.
- The Joint Legislative Audit and Review Committee purchased several professional journals and audit standard manuals which aided the agency in refining and improving its auditing and work processes.
- The State Board for Community and Technical Colleges will produce a web-based, online grant application process for submitting proposals to the Board and electronic distribution of appropriations information to colleges.

## **Other**

- The State Parks and Recreation Commission purchased four heart defibrillators to be used in various locations around the state.

## **End of Year Expenditure Patterns**

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Agencies who received General Fund-State (GF-S) appropriations were asked what effect, if any, the potential for receiving Savings Incentive Account credits of unspent Fiscal Year 2004 GF-S appropriations had on end-of-year expenditures.

In their responses in Exhibit 5, most agencies indicated that the existence of the Savings Incentive Program had no direct effect on end-of-fiscal-year spending patterns, although it was recognized as a useful management tool.

Actual fiscal year GF-S expenditures (by month) for the eight years of the program's existence do not demonstrate any expenditure patterns that can be solely attributed to the Savings Incentive Program.

Exhibit 1

**General Fund State – State Appropriations Compared to Actual Expenditures**

Biennium/Year	GF-S Appropriations	GF-S Actuals	Difference (Reversions)
1989-91	12,877,546,448	12,822,278,134	55,268,313
1991-93	15,276,996,675	15,179,946,506	97,050,169
1993-95	16,419,247,997	16,315,126,491	104,121,506
FY 1996 <sup>1</sup>	8,649,982,538	8,619,568,427	30,414,111
FY 1997	9,112,843,950	9,051,113,910	61,730,040 <sup>2</sup>
FY 1998	9,329,632,470	9,287,455,949	42,176,521 <sup>3</sup>
FY 1999	9,826,031,240	9,770,861,657	55,169,583
FY 2000	10,218,505,894	10,194,205,431	25,343,667 <sup>3</sup>
FY 2001	10,826,200,846	10,803,573,538	23,277,462 <sup>3</sup>
FY 2002	11,219,066,209	11,200,348,474	18,717,735 <sup>4</sup>
FY 2003	11,378,339,339	11,298,184,668	36,230,006 <sup>5</sup>
FY 2004	11,452,126,533	11,433,774,956	18,351,577

<sup>1</sup> Beginning of fiscal year appropriations for General Fund-State.

<sup>2</sup> Does not reflect debt service, which can legally exceed the appropriation.

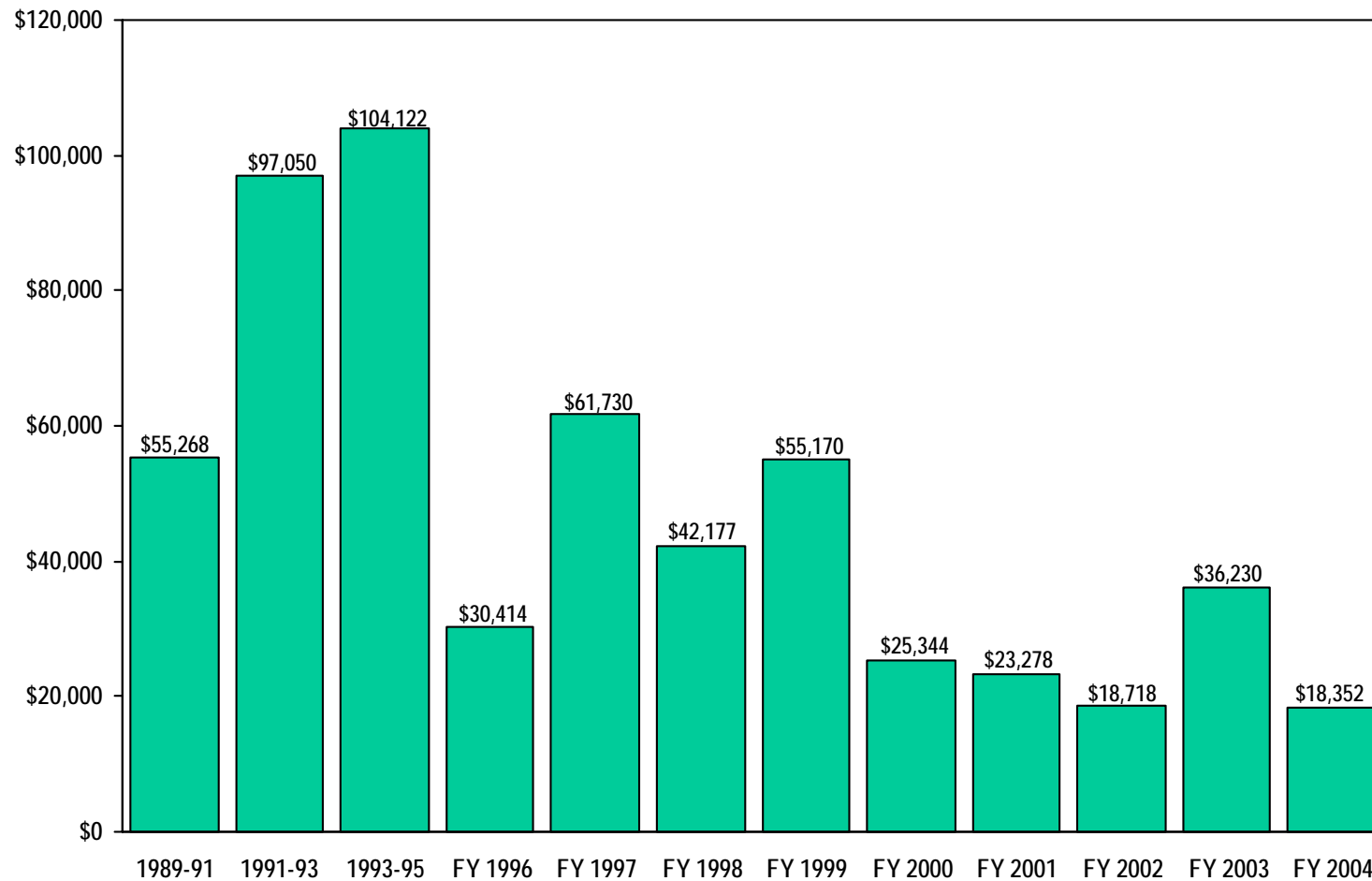
<sup>3</sup> Does not reflect all retirement contributions, which can legally exceed the appropriation.

<sup>4</sup> Includes \$4.7 million in allotment reductions exempted from the Savings Incentive Program by the Legislature in the 2002 Supplemental budget.

<sup>5</sup> Total reversions of \$80.2 million includes \$43.9 million in allotment reductions exempted from the Savings Incentive Program in the 2002 and 2003 Supplemental budgets. \$36.2 million reflects the non-exempted reversions.

# General Fund State Reversions by Fiscal Period

(\$ in thousands)





## Summary of State Savings Incentive Program Distributions

### State Savings Incentive Program--RCW 43.79.460

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Totals to Date</u>
<b><u>Transfers</u></b>									
Savings Incentive Allocations to Agencies	\$7,195,113	\$3,818,384	\$4,855,871	\$ 2,202,916	\$ 4,055,657	\$ 2,501,261	\$ 6,079,956	\$ 3,737,324	\$34,446,480
Transfers to Education Savings Account for School Technology and Construction	\$51,737,034	\$34,522,323	\$45,282,341	\$ 20,826,676	\$ 17,299,625	\$ 10,366,155	\$ 27,135,046	\$ 13,152,828	\$220,322,028
Transfers to Higher Education	\$2,797,893	\$3,835,814	\$5,031,371	\$ 2,314,075	\$ 1,922,181	\$ 1,151,795	\$ 3,015,005	\$ 1,461,425	\$21,529,559
<b>Total Education Savings Account</b>	<b>\$54,534,927</b>	<b>\$38,358,137</b>	<b>\$50,313,712</b>	<b>\$ 23,140,752</b>	<b>\$ 19,221,806</b>	<b>\$ 11,517,950</b>	<b>\$ 30,150,051</b>	<b>\$ 14,614,253</b>	<b>\$241,851,587</b>
<b>TOTAL REVERSIONS</b>	<b>\$61,730,040</b>	<b>\$42,176,521</b>	<b>\$55,169,583</b>	<b>\$ 25,343,667</b>	<b>\$ 23,277,462</b>	<b>\$ 14,019,211</b>	<b>\$ 36,230,006</b>	<b>\$ 18,351,577</b>	<b>\$276,298,067</b>
<b><u>Detail of Higher Education Transfers</u></b>									
50% to Distinguished Professorships	\$1,398,947	\$1,917,907	\$2,515,686	\$1,157,038	\$961,090	\$575,897.50	\$1,507,503	\$730,713	\$10,764,780
17% to Graduate Fellowships	\$475,642	\$652,088	\$855,333	\$393,393	\$326,771	\$195,805.15	\$512,551	\$248,442	\$3,660,025
33% to the CTCs for faculty awards	\$923,305	\$1,265,819	\$1,660,352	\$763,645	\$634,320	\$380,092.35	\$994,952	\$482,270	\$7,104,755
	<b>\$2,797,893</b>	<b>\$3,835,814</b>	<b>\$5,031,371</b>	<b>\$2,314,075</b>	<b>\$1,922,181</b>	<b>\$1,151,795</b>	<b>\$3,015,005</b>	<b>\$1,461,425</b>	<b>\$21,529,559</b>

Exhibit 2

Savings Incentive Program-Spending to Date by Agency

Agency	Program Credits to 6/30/2004	Spending to 6/30/2004	Balance Remaining	Percent Spent
011 House of Representatives	\$3,047,809	\$1,806,407	\$1,241,402	59%
012 Senate	7,124,030	3,897,116	3,226,914	55%
014 Joint Legislative Audit and Review Committee	1,301,708	200,199	1,101,509	15%
020 LEAP Committee	331,689	83,514	248,175	25%
038 Joint Legislative Systems Committee	165,510	12,441	153,068	8%
040 Statute Law Committee	239,699	116,696	123,003	49%
045 Supreme Court	229,443	106,568	122,875	46%
046 State Law Library	2,844	2,844	(0)	100%
048 Court of Appeals	320,262	40,321	279,941	13%
050 Commission On Judicial Conduct	172,479	44,423	128,056	26%
055 Office of the Administrator for the Courts	29,778	0	29,778	0%
056 Office of Public Defense	6,218	0	6,218	0%
075 Office of the Governor	356,553	240,574	115,979	67%
080 Office of Lieutenant Governor	34,519	24,017	10,501	70%
082 Public Disclosure Commission	41,760	633	41,127	2%
085 Office of the Secretary of State	988,427	611,494	376,933	62%
086 Governor's Office of Indian Affairs	7,919	7,919	1	100%
087 Commission on Asian-Pacific American Affairs	7,470	7,469	1	100%
091 Redistricting Commission	71,843	71,843	0	100%
095 Office of State Auditor	43,741	0	43,741	0%
099 Commission on Salaries Elected Officials	28,387	0	28,387	0%
100 Office of Attorney General	412,506	208,537	203,969	51%
101 Caseload Forecast Council	32,186	0	32,186	0%
103 Community, Trade, and Economic Development	609,584	254,916	354,668	42%
104 Economic and Revenue Forecast Council	123,809	60,813	62,996	49%
105 Office of Financial Management	789,517	365,868	423,649	46%
118 WA State Commission on Hispanic Affairs	19,221	591	18,631	3%
119 WA State Commission on African-American Affairs	7,072	3,309	3,762	47%
120 Human Rights Commission	79,237	51,480	27,757	65%
140 Department of Revenue	2,655,921	1,331,847	1,324,074	50%
142 Board of Tax Appeals	35,741	20,075	15,666	56%
150 Department of General Administration	107,556	15,951	91,606	15%
195 Liquor Control Board	89,572	86,813	2,759	97%
225 Washington State Patrol	200,406	0	200,406	0%
235 Department of Labor and Industries	56,904	28,601	28,303	50%
240 Department of Licensing	312,546	219,482	93,064	70%
245 Military Department	112,719	18,514	94,205	16%
250 Indeterminate Sentence Review Board	217,410	66,383	151,027	31%
275 Public Employment Relations Commission	106,293	65,961	40,331	62%
300 Department of Social and Health Services	2,487,656	2,012,550	475,106	81%
302 Home Care Quality Authority	12,343	0	12,343	0%
303 Department of Health	675,478	235,238	440,240	35%
305 Department of Veterans' Affairs	25,553	9,597	15,956	38%

Agency	Program Credits to 6/30/2004	Spending to 6/30/2004	Balance Remaining	Percent Spent
310 Department of Corrections	1,810,497	0	1,810,497	0%
315 Department of Services for the Blind	161,288	0	161,288	0%
325 Sentencing Guidelines Commission	102,910	11,519	91,391	11%
343 Higher Education Coordinating Board	454,493	318,883	135,609	70%
350 Superintendent of Public Instruction	1,511,212	653,791	857,422	43%
351 State School for the Blind	71,958	12,635	59,323	18%
353 State School for the Deaf	62,477	46,000	16,477	74%
354 Work Force Training and Education Coordinating Board	115,970	33,987	81,983	29%
360 University of Washington	77,738	0	77,738	0%
365 Washington State University	2,681	2,627	54	98%
375 Central Washington University	88,808	0	88,808	0%
377 Spokane Intercollege R&T Institute	25,663	0	25,663	0%
380 Western Washington University	100,159	32,333	67,827	32%
385 State Library	40,265	1,266	39,000	3%
387 Arts Commission	19,106	2,448	16,658	13%
390 Washington State Historical Society	4,580	1,226	3,354	27%
395 Eastern Washington Historical Society	2,872	0	2,872	0%
460 Columbia River Gorge Commission	68,351	11,748	56,603	17%
461 Department of Ecology	817,807	474,841	342,966	58%
465 State Parks and Recreation Commission	27,459	27,459	0	100%
467 Interagency Committee for Outdoor Recreation	89	0	89	0%
468 Environmental Hearings Office	103,524	8,168	95,356	8%
471 State Conservation Commission	145,383	6,471	138,912	4%
476 Growth Management Hearings Board	88,375	35,689	52,687	40%
477 Fish and Wildlife	117,014	100,000	17,014	85%
490 Department of Natural Resources	86,220	0	86,220	0%
495 Department of Agriculture	318,535	164,015	154,520	51%
540 Employment Security Department	73,770	73,770	0	100%
699 Community and Technical College System	488,635	245,556	243,079	50%
<b>Total</b>	<b>\$30,709,153</b>	<b>\$14,595,431</b>	<b>\$16,113,722</b>	<b>48%</b>

## Exhibit 3

**Savings Incentive Account Expenditures in Fiscal Year 2004  
By Agency and Category of Expenditure**

Agency	Total	Employee Training	Employee Incentives	Technology Improvements	Improved Work Processes	Performance Measurements	Other
House of Representatives	\$56,106	\$22,970					\$33,136
Senate	116,481						116,481
Joint Legislative Audit and Review Committee	43,545	23,139		19,356	1,050		
Court of Appeals	17,374	3,609		13,765			
Joint Legislative Systems Committee	12,441			12,441			
Supreme Court	20,051	2,270		17,781			
State Law Library	635	635					
Statute Law Committee	20,602						20,602
Secretary of State	30,493			30,493			
Office of the Governor	70,982	15,340		33,240			22,402
Commission on African- American Affairs	3,000			2,804	196		
Office of Financial Management	42,707			42,707			
Community, Trade, and Economic Development	20,289				20,289		
Department of Revenue	78,782			78,782			
Commission on Judicial Conduct	27,500				27,500		
Department of General Administration	2,523			2,523			
Department of Health	47,539	47,539					
Liquor Control Board	71,850	71,850					
Indeterminate Sentence Review Board	3,430	1,430		2,000			
Higher Education Coordinating Board	128,433	300		128,133			
Superintendent of Public Instruction	394,204	51,769		250,352			92,083
Department of Agriculture	5,019	5,019					
Department of Ecology	36,925	6,644	13,475	6,051			10,755
Growth Management Hearings Boards	33,356	3,074		12,086	1,357		16,839
Department of Fish and Wildlife	100,000			100,000			
State Parks and Recreation Commission	27,459			20,000			7,459
Community/Technical College System	143,574	8,900		2,665	87,091	12,500	32,418
Western Washington University	24,417	2,863		21,554			
<b>Totals by Category</b>	<b>\$1,579,717</b>	<b>\$267,351</b>	<b>\$13,475</b>	<b>\$796,733</b>	<b>\$137,483</b>	<b>\$12,500</b>	<b>\$352,175</b>
	<b>100%</b>	<b>16.9%</b>	<b>.9%</b>	<b>50.4%</b>	<b>8.7%</b>	<b>.8%</b>	<b>22.3%</b>

## Exhibit 4

### Savings Incentive Account Expenditures in Fiscal Year 2004 Agency Detail Reports

**Commission on African American Affairs**

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$2,804	Website Development – Improving the website allowed the agency to display information on African American events, as well as advertise the achievements of the Commission to the public.
Improved Work Processes	\$196	Equipment used for statewide scheduling.
<b>Total FY 04 Expenditures</b>	<b>\$3,000</b>	

**Commission on Judicial Conduct**

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Improved Work Processes	\$27,500	Savings Incentive funds were used for the agency move to, and one-time remodel of, new office spaces in the GA Building. The larger, more efficient and updated office has improved the efficiency and effectiveness of services to the public, Commission members, judges, and other state offices.
<b>Total FY 04 Expenditures</b>	<b>\$27,500</b>	

**Court of Appeals**

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$3,609	Provided judicial officer training regarding such topics as litigation ethics and court management.
Technology Improvements	\$13,765	Provided the means to upgrade technology (computer purchases, copy machine purchase and printer purchase).
<b>Total FY 04 Expenditures</b>	<b>\$17,374</b>	

**Department of Agriculture**

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$5,019	Purpose of the expenditure was to train selected employees in facilitation techniques. A goal of the department's quality initiative is to build facilitation capacity within the department to assist teams in their process improvement efforts.
<b>Total FY 04 Expenditures</b>	<b>\$5,019</b>	

**Department of Community, Trade, and Economic Development**

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Improved Work Processes	\$20,289	The expenditures were used to facilitate preparation for civil service reform. This contributed to CTED's readiness for implementation.
<b>Total FY 04 Expenditures</b>	<b>\$20,289</b>	

#### Department of Ecology

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$6,388	Earth Day Conference – In keeping with the Governor's Executive Order (02-03) on sustainability, this training conference demonstrates the intrinsic ties between economic prosperity, environmental vitality, and social equity.
	\$256	Diversity Conference – Employee attended a 'diversity and cultural competency in the work setting' conference in Portland, Oregon.
Employee Incentives	\$1,707	Employee Recognition Program – Staff who established the agency Plain Talk program were recognized for their efforts to make agency documents more readable and understandable for the public.
	\$11,768	Commute Trip Reduction – This covers an incentive program for Ecology's regional office (Spokane) staff to use commute alternative for at least 45 percent of their commute trips in one month. Also covered is a FlexPass program for the greater Bellevue area so employees can use King County Metro Transit, Sound Transit, Sounder Commuter, and other resources as alternatives to single occupancy vehicle commuting.
Technology Improvements	\$6,051	Language Locator – A website was developed that contains census-based information on where non-English-speaking residents live in Washington. This information allows Ecology to provide face-to-face, neighborhood-based communication to these individuals.
Other	\$10,350	Oral History Project – Historical documentation of Ecology that will provide readers with an understanding of past issues and the context in which they were addressed. Period of time to be covered is from 1970 (creation of Ecology) through the beginning of Governor Locke's administration.
	\$405	Energy Reduction and Green Purchasing at regional office (Bellevue) – Material will be provided to NWRO employees to promote energy conservation within the Bellevue office.
<b>Total FY 04 Expenditures</b>	<b>\$36,925</b>	\$142.24 was erroneously charged to the Savings Incentive Account – it will be fixed and reflected in the next FY report.

#### Department of Fish and Wildlife

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$100,000	This expenditure was used to improve the computer system support for the agency mandate to issue Hydraulic Project Approvals (HPA). This technology improvement project will directly improve customer service by making data available to all customers in real time. The project will result in an improved system that will use a central database to issue and track all HPAs. Data for pending and issued approvals will be available to managers and customers from any agency computer in the state, rather than just a few as is now the case. Biologists and program managers will be able to share the processing, allowing more efficient work procedures and faster customer response. Managers will be able to more closely track processing, improving the accountability to customers.
<b>Total FY 04 Expenditures</b>	<b>\$100,000</b>	

#### Department of General Administration

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$2,523	Digital cameras were purchased for zone coordinators in the Division of Capitol Facilities. Digital capability provides a more appropriate tool for documenting construction/project issues on the Capitol Campus.
<b>Total FY 04 Expenditures</b>	<b>\$2,523</b>	

#### Department of Health

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$47,539	Customer service training.
<b>Total FY 04 Expenditures</b>	<b>\$47,539</b>	

#### Department of Revenue

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$78,782	Expenditures in fiscal year 2004 were made in support of a contract with Microsoft to develop a project charter, business requirements and technical specifications for enhancement of the data warehouse. This enhancement will further identify businesses and user needs to provide enhanced customer service and perform collection activities more efficiently.
<b>Total FY 04 Expenditures</b>	<b>\$78,782</b>	

#### Higher Education Coordinating Board

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$300	To provide training on .NET tools to agency information technology staff.
Technology Improvements	\$128,133	To complete design and implementation of modern and efficient systems to replace student financial aid processes on legacy mainframe systems.
<b>Total FY 04 Expenditures</b>	<b>\$128,433</b>	

#### House of Representatives

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$22,970	Provide legal education, professional development training, and ethics training.
Other	\$33,136	Miscellaneous improvements.
<b>Total FY 04 Expenditures</b>	<b>\$56,106</b>	

#### Indeterminate Sentence Review Board

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$1,430	Allowed six employees of the Board to attend the Washington Correctional Association Training Conference, which also provided networking opportunities with other correctional and sentencing agencies within the state.
Technology Improvements	\$2,000	Funds used to upgrade the agency's laptop computers. Allowed employees to work more efficiently and align laptop operating systems with the agencies desktop operating systems.
<b>Total FY 04 Expenditures</b>	<b>\$3,430</b>	

#### Joint Legislative Audit and Review Committee

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$23,139	Computer software training (such as Excel, Access, SPSS) and other professional development training, which increased staff's proficiency.
Technology Improvements	\$19,356	Funds were used for various office and/or workspace enhancements and for needed upgrades to computer hardware and software programs. These enhancements have resulted in increased efficiency of office systems contributing to increased productivity.
Improved Work Processes	\$1,050	Funds were used for various professional journals and audit standards publications/manuals (such as the General Accounting Office Yellow Book). These professional journals and publications aid the agency in refining and improving its auditing and work processes.
<b>Total FY 04 Expenditures</b>	<b>\$43,545</b>	

#### Joint Legislative Systems Committee

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$12,441	Improved production printing capabilities.
<b>Total FY 04 Expenditures</b>	<b>\$12,441</b>	

#### Liquor Control Board

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$71,850	Staff attended "Leadership Mastery" training, provided through contracts with the Department of Personnel. Included in this training are skills to create a results-oriented, customer-focused culture in the agency.
<b>Total FY 04 Expenditures</b>	<b>\$71,850</b>	

#### Office of Financial Management

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$42,707	Computer upgrades to improve staff efficiency and effectiveness.
<b>Total FY 04 Expenditures</b>	<b>\$42,707</b>	



Office of the Governor

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$15,340	Staff training to improve job performance.
Technology Improvements	\$33,240	Computer purchases to improve staff efficiency and effectiveness.
Other	\$22,402	One-time expenditures related to the Marysville teacher strike.
<b>Total FY 04 Expenditures</b>	<b>\$70,982</b>	

Office of the Secretary of State

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$30,493	The agency used savings incentive funds to participate in the federal Secure Electronic Registration and Voting Experiment (SERVE).
<b>Total FY 04 Expenditures</b>	<b>\$30,493</b>	

Office of the Superintendent of Public Instruction (OSPI)

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$51,769	Staff received training critical to the success of the agency.
Technology Improvements	\$250,352	Funds were used to purchase computer equipment. This included some infrastructure purchases to enhance agency network capacity. In addition, there were projects that were partially funded with the Savings Incentive Account that benefited the school districts.
Other	\$92,083	A portion was used for the floor replacement project in the building and relocating some staff to the annex. This allowed for staff to have more space and improved working conditions. OSPI paid for two contracts regarding school funding. One was to survey other states and how they are funding the federal No Child Left Behind Act (NCLB) and the other was to study state education funding. The results will assist OSPI with how to best leverage the money received. In addition, the NCLB survey should put Washington state in a position to collaborate with other states education departments. The remainder of the expenditures were for safety preparedness and for a legislative intern.
<b>Total FY 04 Expenditures</b>	<b>\$394,204</b>	

Senate

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Other	\$116,481	Legislative Building Renovation (LBR) Project for improvements to Senate space in Legislative Building. These changes (not funded within the LBR project) provided for improved working conditions, security and productivity in Senate offices.
<b>Total FY 04 Expenditures</b>	<b>\$116,481</b>	

#### State Board for Community and Technical Colleges (SBCTC)

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$8,900	Revised Community & Technical College Fiscal Affairs manual. The manual, previously available only in hard copy, was updated and converted to an electronic format and placed on the agency website for access by college business and administrative staff.
Technology Improvements	\$2,665	Web-based Grants and Funding Project – Phase 1 of this project will produce a web based on-line grant application process for submitting proposals to SBCTC. Phase 2 will develop a process for online distribution of appropriations to colleges.
Improved Work Processes	\$87,091	Enrollment and Tuition Waiver Project – Both long and short-term two-year enrollment demand estimates were developed as part of the system strategic plan. In response to legislative direction, tuition waivers were studied and policy changes made and implemented.
Performance Measurement	\$12,500	Transfer Study - \$1,000 – Completes a study examining the role of transfer between educational institutions in the attainment of the bachelor's degree. Funding Study - \$11,500 – Contract with MGT of America, Inc. to provide a survey and analysis of funding level of two-year colleges on a national and regional basis (western states).
Other	\$32,418	College System Strategic Plan – Cost to develop a strategic policy position document and executive summary distributed to college personnel and policy makers. This document identified the challenges facing two-year colleges and the policy implications to resolve these issues. Additional briefing papers were developed for community groups and policy makers to explain the current status of Adult Basic Education, remediation, articulation and other issues.
<b>Total FY 04 Expenditures</b>	<b>\$143,574</b>	

#### State Law Library

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$635	The account provided funds for staff to attend the American Association of Law Librarians Conference. Workshops and training sessions enabled them to learn current trends and innovations.
<b>Total FY 04 Expenditures</b>	<b>\$635</b>	

#### State Parks and Recreation Commission

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Technology Improvements	\$20,000	Agency purchased new computer routers, replacing very old leased equipment. The agency plans to use the monthly lease savings to establish a 3-year replacement cycle.
Other	\$7,459	Agency was able to leverage this money to purchase four defibrillators for Parks and receive two free ones from the manufacturer.
<b>Total FY 04 Expenditures</b>	<b>\$27,459</b>	

#### Statute Law Committee

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Other	\$20,602	The Statute Law Committee's savings incentive fund expenditures were used primarily to supplement the modifications of the Pritchard Building in order to house its temporary office space. The planning of space allows staff to work more efficiently.
<b>Total FY 04 Expenditures</b>	<b>\$20,602</b>	

#### Supreme Court

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$2,270	Provided practical and theoretical training regarding appellate decision-making, oral arguments, opinion writing and ethics.
Technology Improvements	\$17,781	Provided funding for technological improvement.
<b>Total FY 04 Expenditures</b>	<b>\$20,051</b>	

#### Western Washington University

Type of Expenditure (itemize if appropriate)	Amount Expended	Purpose of expenditure and how it improved the quality, efficiency or effectiveness of services to customers
Employee Training	\$2,863	Acquired information and skill in writing grant applications to federal funding agencies. The acquired information allowed staff to enhance funding to service North Snohomish, Island and Skagit County (NSIS) consumers.
Technology Improvements	\$21,554	Upgrade and maintain technology in the University Center at the Everett Station. The upgrades enabled students, faculty, and staff to keep current with education systems.
<b>Total FY 04 Expenditures</b>	<b>\$24,417</b>	



## **End-of-Fiscal Period Expenditure Patterns**

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**A**GENCIES WITH STATE GENERAL-FUND appropriations were asked to respond to the question of whether the existence of the Savings Incentive Program affected their end-of-fiscal year expenditure patterns. Responses are reported below.

### **Board of Tax Appeals**

“As the end of FY 2004 approached the Board of Tax Appeals had potential savings of about \$40,000 or 3.8 percent of our budget. The agency wished to maximize the available dollar amount by paying for all expenditures incurred in FY 2004 with FY 2004 allotment while at the same time preserving as much of the potential savings for use in FY 2005. To maximize the available dollars the agency requested (often) that the personal service contractors with whom the agency works complete their assignments and submit invoices by the end of June of 2004.

However, the greater goal was to preserve money for use in FY 2005. The agency’s new Executive Director wishes to implement pilot programs to explore options for better management of the agency’s increasing inventory of taxpayer appeals. In order to meet the Board of Tax Appeal’s legislative mandate to efficiently and economically resolve disputes between taxpayers and the taxing authorities, the agency must continually consider “working smarter” methods. Often times such exploration requires expenditures for which the usual budgeting process has not provided. Consequently, the agency sought to save as much as possible for potential use in FY 2005.”

### **Caseload Forecast Council**

“As a small agency with predominantly fixed costs, the potential for “rebates” had little effect on our end-of-fiscal year expenditures.”

### **Central Washington University**

“The potential for savings rebates has no effect on the end-of-year expenditures at Central Washington University as we always spend 100 percent of our state general fund appropriation.”

### **Columbia River Gorge Commission**

“Throughout the year, we have managed our spending with the savings incentive fund in mind. We have slowly built a “bank” of savings that we intend to use for training, technology improvements and work process improvements that have not been funded in our agency budget. The bank is a result of the ongoing efforts of staff to implement cost saving measures. The existence of such a bank has also shaped the amount and type of decision package requests submitted as part of the agency budget request; the decision package requests are truly reflective of agency needs that cannot be met through other means.”

### **Commission on African American Affairs**

“None.”

### **Commission on Judicial Conduct**

“The potential for Savings Incentive rebates of unspent Fiscal Year 2004 appropriations did not have an effect on the agency end-of-fiscal year expenditures.”

### **Commission on Salaries for Elected Officials**

“None.”

### **Contributions to Retirement Systems**

“The GF-S appropriations are provided to cover the state’s contributions into various pension plans (trust funds) so savings could not be used for other operating purposes/expenses.”

### **Court of Appeals**

“The availability of funding from the Savings Incentive Account allows the Court of Appeals to strategically plan for the acquisition of goods and services that provide the highest return on investment.”

### **Department of Agriculture**

“No effect.”

### **Department of Community, Trade, and Economic Development**

“There was no significant influence on CTED’s spending pattern for the Fiscal Year 2004 General Fund-State appropriation. However, the existence of the Savings Incentive Account provides us the potential opportunity to use this fund to improve efficiencies and effectiveness of CTED’s operations.”

### **Department of Corrections**

“The Department’s expenditure pattern was not altered as a result of the potential for Savings Incentive Account appropriations in future biennia.”

### **Department of Ecology**

“Although the potential for rebates can have an effect, it did not in FY 04. In order to meet the high expectations the legislature and public have of us this biennium, we spent all our GF-S in FY 04. The only positive variance was due to local governments not spending all their grant awards.”

### **Department of Fish and Wildlife**

“The potential for Savings Incentive Allocation enabled the Department to use general fund state authority more effectively to assure that the unspent appropriation will be used to improve technology for the Department by enhancement of the computer system support for Hydraulic Project Approvals.”

### **Department of General Administration**

“There are times when we do not purchase equipment that is needed for the program in order to avoid potential overspending. When the end of the year comes and funds are available but it’s too late to order/receive the equipment, so we will at least get the return in the next fiscal year.”

### **Department of Health**

“The Department of Health expended nearly all General Fund-State funding. The potential for savings incentive rebates had no effect on our end-of-fiscal year spending because the agency needed to use nearly everything appropriated to fund current operations.”

### **Department of Labor and Industries**

“The department did not spend any savings incentive funds in FY 2004 and it has no effect on our end-of-fiscal-year expenditures.”

### **Department of Revenue**

“The Department of Revenue continually takes great care in monitoring expenditures to ensure appropriations are not overspent. The availability of a savings incentive "rebate" is a good financial management tool that rewards managers for savings dollars by making funds available for new technology, equipment to achieve a higher level of efficiency, and unanticipated, but necessary, activities and equipment.”

### **Department of Services for the Blind**

“No effect really. We are a small state agency reliant upon federal dollars (80 percent of our funding) that require state match. The amount of state fund savings was due to our attempts to save as many state dollars as possible due to the state budget problem.”

### **Department of Social and Health Services**

“No effect.”

### **Growth Management Hearings Boards**

“Posting orders on the website is the method by which the Boards meet their obligation to publish Board decisions under the requirements of WAC 242-02-834 and RCW 36.70A.290(1) and .300(1). In order to accommodate web users all over the state, the Boards initiated a web-conversion project to include two types of electronic documents for each decision posted (HTML and PDF). The Boards have attempted to secure funding for this conversion by submitting a grant request to the Small Agency IT Initiative decision-makers and were turned down for the request. After the denial of funding, the Boards elected to finance the conversion project (from HTML or PDF only to HTML and PDF) using monies saved from prior biennia (from existing Savings Incentive Account credits), as reflected in our FY 05-07 biennium budget request . . .”

### **Eastern Washington University**

“None.”

### **Economic Revenue and Forecast Council**

“As a small agency with predominantly fixed costs, we understand that the Savings Incentive Account provides us with the potential opportunity to use this fund to improve efficiencies and effectiveness of our operations. Due to the fundamental nature of our work here, we spend frugally and research each purchase. It is important to us that we not only reduce spending and use best practices, but that we plan ahead in the event of further economic crunches. The economy is as motivating a factor to reduce our spending as the Savings Incentive program. The combination makes it very appealing to not spend all of our allotted funds.”

### **Environmental Hearings Office**

“None. Our policy for spending has always been to do so in a conservative and prudent manner. In FY2004, our total appropriation was almost completely exhausted by normal operating expenditures.”

### **Governor’s Office of Indian Affairs**

“No effect.”

### **Higher Education Coordinating Board**

“The potential savings had no impact on our end-of-fiscal year expenditure.”

### **Home Care Quality Authority**

“The Home Care Quality Authority did not experience any effect on our end-of-fiscal-year expenditures based on the existence of the Savings Incentive Program.”

### **House of Representatives**

“None.”

### **Indeterminate Sentence Review Board**

“None.”

#### **Interagency Committee for Outdoor Recreation**

“None.”

#### **Joint Legislative Systems Committee**

“None.”

#### **Legislative Evaluation and Accountability Program**

“No impact.”

#### **Liquor Control Board**

“No impact.”

#### **Military Department**

“We strongly support the Saving Incentive Program. The ability to make one-time quality improvements and/or provide incentives to staff with GF-S savings is very beneficial to a small agency like the Military Department. The opportunity to carry the unspent savings account forward for multiple years gives us a chance to have sufficient dollars to take on a significant one-time expense that promotes a key part of our strategic plan. The Military Department has several projects planned in FY05 using the Savings Incentive Account balance.”

#### **Office of Financial Management**

“None.”

#### **Office of Lieutenant Governor**

“None.”

#### **Office of the Governor**

“None.”

#### **Office of Public Defense**

“All General Fund expenses were from contracted services. Therefore, the potential for accumulating Savings Incentive Account rebates had no bearing on the Office of Public Defense’s end-of-fiscal year expenditures.”

#### **Office of the Secretary of State**

“The rebates did not change our end of fiscal year expenditure pattern. However, the agency will continue to utilize the savings received by providing staff with tools to maintain adequate customer service which in turn benefits the public.”

#### **Public Disclosure Commission**

“For small agencies on a tight budget, savings incentive account rebates are the only mechanism for establishing a measure of financial security to manage unanticipated expenses. It means the agency has the resources to address technology improvements or equipment failures as well as employee training beyond the modest amount allotted in the operating budget. Having the fund is allowing the agency to assess its technology resources to make sure they closely align with and support our core business activities. The assessment will also allow us to identify and plan for short and longer-term resource needs.”

#### **Senate**

“None.”



### **Sentencing Guidelines Commission**

“In light of the budgetary constraints, the Sentencing Guidelines Commission limited agency expenditures for 2004 to the minimum required to carry out its mandate. The long delayed plan to update the agency’s database and to relocate its offices will be accomplished by calendar year 2004. The agency anticipates meeting the costs of this activity with the savings incentive account.”

### **Spokane Intercollegiate Research and Technology Institute**

“The Savings Incentive Account “rebates” of unspent FY-4 GF-S appropriation will not have an impact on our end-of-fiscal-year expenditures. The GF-S appropriation for WSIB was accompanied by a legislative budget proviso that limits the spending of the appropriation based on legislative intent.”

### **State Board for Community and Technical Colleges**

“None.”

### **State Investment Board**

“The Savings Incentive Account “rebates” of unspent FY-4 GF-S appropriation will not have an impact on our end-of-fiscal-year expenditures. The GF-S appropriation for WSIB was accompanied by a legislative budget proviso that limits the spending of the appropriation based on legislative intent.”

### **State Law Library**

“The State Law Library continually takes great care in monitoring expenditures to ensure that as many services as possible can be provided and to ensure that appropriations do not become over-expended. The Savings Incentive Account allows for employee training and technological improvements that might not otherwise be available.”

### **State Parks and Recreation Commission**

“State Parks endeavors to spend all of its General Fund appropriations within the fiscal time period. This practice keeps fee-based funds available to the agency for future expenditures (either in the same biennium or in the ensuing biennium).”

### **Statute Law Committee**

“The Savings Incentive Account is an occasional and useful resource for one-time improvements that can’t be accomplished before the close of the fiscal year or with the general fund budget. The effect on spending patterns is minimal.”

### **Supreme Court**

“Investment in staff training and technology allows the Supreme Court to ensure that its operations are as efficient and effective as possible. The ability to access prior year savings provides the Court the opportunity to balance investment in day-to-day operational costs with purchases that provide long-term returns.”

### **Washington School for the Deaf**

“None.”

### **Washington State Arts Commission**

“Savings Incentive Account has allowed the agency to accumulate funds for expenditures that could not be foreseen within a small agency’s operating budget.

In Fiscal Year 2005, these funds will be spent for one-time expenditures due to office relocation to smaller space which required remodeling of new office space (partial costs paid by agency) and to upgrade obsolete computer equipment.”

**Washington State Patrol**

“Potential Savings Incentive Account rebates had no effect on the State Patrol’s Fiscal Year 2004 General Fund-State expenditure decisions.”

**Washington State School for the Blind**

“No effect on our end-of-year expenditures.”

**Washington State University**

“No effect.”

**Western Washington University**

“None.”

**Workforce Training and Education Coordinating Board**

“Savings Incentive “rebates” had no effect on fiscal year 2004 (year) end expenditures.”

**TEXT OF LAWS OF 1997, CHAPTER 261 (RCW 43.79.460)  
AS AMENDED IN THE 1998 LEGISLATIVE SESSION:**

**AN ACT Relating to the efficient use of general fund moneys; adding new sections to chapter 43.79 RCW; and declaring an emergency.**

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Section 1.** A new section is added to chapter 43.79 RCW to read as follows:

(1) The savings incentive account is created in the custody of the state treasurer. The account shall consist of all moneys appropriated to the account by the legislature. The account is subject to the allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures from the account.

(2) Within the savings incentive account, the state treasurer may create subaccounts to be credited with incentive savings attributable to individual state agencies, as determined by the office of financial management in consultation with the legislative fiscal committees. Moneys deposited in the subaccounts may be expended only on the authorization of the agency's executive head or designee and only for the purpose of one-time expenditures to improve the quality, efficiency, and effectiveness of services to customers of the state, such as one-time expenditures for employee training, employee incentives, technology improvements, new work processes, or performance measurement. Funds may not be expended from the account to establish new programs or services, expand existing programs or services, or incur ongoing costs that would require future expenditures.

(3) For purposes of this section, "incentive savings" means state general fund appropriations that are unspent as of June 30th of a fiscal year, excluding any amounts included in across-the-board reductions under RCW 43.88.110 and excluding unspent appropriations for:

- (a) Caseload and enrollment in entitlement programs, except to the extent that an agency has clearly demonstrated that efficiencies have been achieved in the administration of the entitlement program. "Entitlement program," as used in this section, includes programs for which specific sums of money are appropriated for pass-through to third parties or other entities;
- (b) Enrollments in state institutions of higher education;
- (c) A specific amount contained in a condition or limitation to an appropriation in the biennial appropriations act, if the agency did not achieve the specific purpose or objective of the condition or limitation;
- (d) Debt service on state obligations; and
- (e) State retirement system obligations.

(4) The office of fiscal management, after consulting with the legislative fiscal committees, shall report to the treasurer the amount of savings incentives achieved. By December 1, 1998, and each December 1st thereafter, the office of financial management shall submit a report to the fiscal committees of the legislature on the implementation of this section. The report shall (a) evaluate the impact of this section on agency reversions and end-of-biennium expenditure patterns, and (b) itemize agency expenditures from the savings recovery account.

**Section 2.** A new section is added to chapter 43.79 RCW to read as follows:

The education savings account is created in the state treasury. The account shall consist of all moneys appropriated to the account by the legislature.

- (1) Ten percent of legislative appropriations to the Education Savings Account shall be distributed as follows: (a) Fifty percent to the distinguished professorship trust fund under RCW 28B.10.868; (b) seventeen percent to the graduate fellowship trust fund under RCW 28B.10.882; and (c) thirty-three percent to the college faculty awards trust fund under RCW 28B.50.837.
- (2) The remaining moneys in the Education Savings Account may be appropriated for (a) common school construction projects that are eligible for funding from the common school construction account, and (b) technology improvements in the common schools.

**Section 3.** RCW 28A.305.235, as amended by this act, is recodified as a section in Chapter 43.79 RCW.

**Section 4.** On the effective date of this act, the state treasurer shall transfer ten percent of the unappropriated balance of the education savings account, to be distributed as follows: (a) Fifty percent to the distinguished professorship trust fund under RCW 28B.10.868; (b) seventeen percent to the graduate fellowship trust fund under RCW 28B.10.882; and (c) thirty-three percent to the college faculty awards trust fund under RCW 28B.50.837.

### **Related Language in Appropriation Bills**

**Sec. 713. INCENTIVE SAVINGS--FY 2004.** The sum of one hundred million dollars or so much thereof as may be available on June 30, 2004, from the total amount of unspent fiscal year 2004 state general fund appropriations is appropriated for the purposes of RCW 43.79.460 in the manner provided in this section.

(1) Of the total appropriated amount, one-half of that portion that is attributable to incentive savings, not to exceed twenty-five million dollars, is appropriated to the savings incentive account for the purpose of improving the quality, efficiency, and effectiveness of agency services, and credited to the agency that generated the savings.

(2) The remainder of the total amount, not to exceed seventy-five million dollars, is appropriated to the education savings account.

(3) For purposes of this section, the total amount of unspent state general fund appropriations does not include the appropriations made in this section, amounts included in allotment reductions in sections 715, 717, 718, and 724 of this act, or any amounts included in across-the-board allotment reductions under RCW 43.88.110.

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